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C O N F I D E N T I A L SECTION 01 OF 02 ASUNCION 000917

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SUBJECT: AMBASSADOR DISCUSSES TERRORISM, MONEY LAUNDERING, VENEZUELA, MILITARY COOPERATION, UNSC REFORM WITH FOREIGN MINISTER

Classified By: Ambassador John F. Keane for reasons 1.4 (b) and (d)

11. (C) Summary: On July 15, I breakfasted with Foreign Minister Leila Rachid and we discussed ominous trends in Venezuela, de-legitimizing terrorism, anti-money laundering legislation, U.S. candidacy for the World Heritage Committee of UNESCO, an FBI officer in Asuncion, prospects for extradition from Brazil of Patria Libre Party leaders to face kidnapping charges, and U.S. military exercises, which continue to draw suspicion and critical comment among some in the media, while others are supportive. End Summary.

Venezuela's Democratic Decline

12. (C) I covered in depth the talking points on U.S.-Venezuelan relations (State 127251). Rachid did not disagree with the U.S. analysis of the gravity of Venezuelan trends, noting that Paraguay is particularly concerned about possible Venezuelan-inspired radicalism in neighboring Bolivia. However, she noted that only Brazil is in a position to influence events in Bolivia and urged the U.S. and Brazil to coordinate. In her opinion, Bolivian mistrust of Argentina spiked as a result of resentment over a perception that Argentina will increase its supplies of natural gas to Chile if Argentina's needs are met from other sources, due to recent Southern Cone energy accords. Gas sales to Chile are seen as a stab in the back by some Bolivians, and it has undermined Argentine influence in La Paz, according to Rachid. She had no suggestions about how to address ominous trends in Venezuela.

De-legitimizing Terrorism

13. (U) I commented on the horrific London bombings, and the death of two dozen Iraqi children two days earlier in a suicide attack. I noted how it must be obvious to the world the need for global intense effort to de-legitimize terrorism, particularly against non-military targets and to discourage suicide assaults. (State 121757). Rachid concurred, noting that Paraguay had issued a communique condemning the criminal terrorist attack which took the lives of innocents, adding that there needs to be a global effort to reach across cultural differences between the muslim world and other regions, an effort Paraguay would support. (Presumably she was referring to the recently launched effort by Kofi Annan, "Alliance Among Civilizations.")

Anti-Money Laundering Legislation

14. (U) I noted that Presidential CD certification was approaching and that GOP efforts to control money laundering (M/L) is a significant component of the assessment. Moreover, President Duarte had given a commitment to move forward on M/L legislation as well as counter-terrorism legislation consistent with its obligations under UN resolutions. M/L legislation has languished in the Paraguayan Congress longer than a year. I urged Rachid to discuss with the President and others so that a M/L law could be passed by at least one house of Congress and the CT bill introduced to Congress within the next two months. The Foreign Minister opined that it might be easier to secure passage now that GOP allies have control of all the key congressional committees as a result of the recent re-alignment. She promised to explore what she could do.

USG Candidacy for Seat on World Heritage Committee

15. (U) I raised our candidacy (Asuncion 889 and State 122739) and she agreed to look into it.

FBI Office

16. (U) I explained that the FBI has decided to open a full

legal attache office in Asuncion, but timing remains to be worked out. Meanwhile, the FBI has PCS representative at Asuncion who reports through the Buenos Aires Legatt Office.

Extradition of Patria Libre Party leaders -- and
Suspect Kidnappers -- Arrom and Marti from Brazil

17. (SBU) She reported that she had slipped over to Brazil for a day to press the GOB for an answer to Paraguay's extradition request regarding these two individuals, charged with involvement in a high-profile kidnapping in Paraguay. She was not satisfied with the GOB answer -- that the analysis and consideration of the case by Brazil's special council, CONARE, takes time -- but she has not lost hope.

Military Exercises

18. (SBU) The Foreign Minister noted with annoyance that malicious domestic and foreign media continued to misrepresent the motivations of U.S.-Paraguayan military cooperation, implying or directly alleging U.S. designs on the region, either to seize natural resources or to intervene in perceived troubled areas, such as Ciudad del Este or Bolivia. She sent dipnotes to the foreign ministers of all Paraguay's neighbors denying the basing of U.S. troops in Paraguay and explaining the scope of the joint military exercises. The communique issued by Paraguay, sent to her Foreign Minister colleagues, contained the language "Paraguay, as a State Party to the International Criminal Court, has not signed accords which imply any exception to the jurisdiction established by the Rome Statute."

19. (C) These exercises, and the close military cooperation between the U.S. and Paraguay, she went on, are useful on several levels. Apart from its mutual operational readiness value, Paraguay is able to show a bit of independence from Brazil. Bilateral pressures by Brazil are incessant, she complained, citing the latest whereby Brazil conditioned provision to Paraguay of USD 48 million in donations as part of a Mercosur "structural asymmetries fund" on the GOP, inter alia, co-sponsoring the G-4 resolution (Brazil, Germany, India, Japan) on UNSC enlargement. The possibility of a visit by Defense Secretary Rumsfeld, she said, was a very welcome development. She noted that she has President Duarte's agreement that, if the visit firms up, the GOP would coordinate an announcement with the U.S. (N.B. She had to leave for another appointment before we could discuss implications for our Article 98 negotiations of the recent controversy over our military exercises and immunities for U.S. personnel. End N.B.)

KEANE